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FISCAL IMPACT STATEMENT

LS 6998

BILL NUMBER: HB 1837

NOTE PREPARED: Jan 27, 2005

BILL AMENDED:

SUBJECT: Utility receipts and gross retail sales taxes.

FIRST AUTHOR: Rep. Ayres

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Utility Receipts Tax Exemptions:* This bill exempts receipts from penalties, shutoff fees, reconnect fees, hydrant rental fees, and certain solid waste collection and disposal services from the Utility Receipts Tax.

Utility Receipts Tax Procedural Changes: The bill also changes the basis for determining the amount of utility receipts taxes that must be deposited on a quarterly basis from 25% of the estimated liability for the taxable year to 100% of the liability incurred for gross receipts received in a quarterly reporting period.

This bill changes the filing date for quarterly returns from the twentieth day of the fourth, sixth, ninth, and twelfth months of the taxpayer's taxable year to the twentieth day of the month following the third, sixth, ninth, and twelfth month of the taxpayer's taxable year. It authorizes the Department of State Revenue to establish implementation procedures.

Sales Tax Exemptions: The bill exempts receipts from shelter house, hydrant, and golf cart rentals from the Gross Retail and Use Tax (Sales Tax).

Effective Date: July 1, 2005.

Explanation of State Expenditures: This bill will have an indeterminable administrative cost impact on the Department of State Revenue (DOR). The bill authorizes the DOR to temporary rules to accommodate the changes to the Utility Receipts Tax. DOR's current level of resources should be sufficient to implement these changes.

Explanation of State Revenues: *Utility Receipts Tax Exemptions:* The exemptions to the Utility Receipts Tax provided by this bill will decrease state General Fund revenues by approximately \$2.75 M annually for FY 2006 and FY 2007.

This bill exempts receipts from penalties, shutoff fees, reconnect fees, hydrant rental fees, and certain solid waste collection and disposal services from the Utility Receipts Tax. The estimates above assume that shutoff fees, reconnect fees, hydrant rental fees, and certain solid waste collection and disposal services make up 100% of the penalty and miscellaneous revenues as reported by utilities to the Indiana Utility Regulatory Commission.

Utility Receipts Tax Procedural Changes: The bill also changes the basis for determining the amount of utility receipts taxes that must be deposited on a quarterly basis from 25% of the estimated liability for the taxable year to 100% of the liability incurred for gross receipts received in a quarterly reporting period. This provision is not expected to have an impact on overall Utility Receipts Tax revenues.

The changes in filing dates provided in this bill will shift Utility Receipts Tax collections from FY 2006 into FY 2007. Based on the June 2004 filings, the FY 2006 Utility Receipts Tax revenue would decrease by approximately \$38 M. Currently the filing dates for quarterly returns are April 20, June 20, September 20, and December 20. This bill would make the filing dates April 20, July 20, October 20, and January 20.

Sales Tax Exemptions: This bill will decrease state Sales Tax revenue. The exact amount of the decrease is indeterminable. The bill exempts receipts from shelter house, hydrant, and golf cart rentals from the state Sales Tax.

The decrease as a result of the golf cart rental exemption is estimated to be between \$1.2 M and \$1.4 M. This estimate is based upon the average percentage of golf course sales revenue that is derived from cart rental fees. The Club Managers Association, *2004 Operations Survey Report* estimated that between 21% and 24% of course sales revenue was from cart rental fees.

The Sales Tax revenue decrease resulting from the proposed exemption for shelter house rentals is indeterminable. The Department of Natural Resources (DNR) reports that there was \$121,000 in shelter house fees collected by state parks in CY 2004. Therefore this exemption will result in a decrease of at least \$7,260. The actual decrease will depend upon the total number of shelter houses rented in local city and town parks. The number of shelter house rentals in city and town parks is unknown.

The impact of the hydrant rental fee exemption is indeterminable. The will depend upon the amount of rental fees collected per year throughout the state. The number and average fee for hydrant rentals is unknown.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Department of Natural Resources; Utility Regulatory Commission.

Local Agencies Affected:

Information Sources: Mike Gallagher, 317-232-2763, Utility Regulatory Commission; John Baker, 317-232-4126, Department of Natural Resources; Tom Conley, 317-232-2107, Department of State Revenue; Club Managers Association, *2004 Operations Survey Report; December 14, 2004, Revenue Forecast*, Revenue Forecast Technical Committee.

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